

U.S. Customs and Border Protection Modernization



Report to Congress: The Automated Commercial Environment (ACE) RPRT-017

As of September 30, 2005

I am pleased to submit the *Report to Congress: The Automated Commercial Environment (ACE)*, as directed by the 2005 Homeland Security Appropriations Bill and the Trade Act of 2002.

This report is submitted quarterly, providing an update of ACE accomplishments, challenges, fiscal status, and upcoming program milestones. Most significantly, the report demonstrates how ACE is helping U.S. Customs and Border Protection (CBP) achieve the Department of Homeland Security strategic objectives, and is providing CBP personnel in the field with the enhanced capabilities to better accomplish the CBP mission of preventing terrorism and facilitating legitimate trade and travel.

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Commissioner
U.S. Customs and Border Protection

Automated Commercial Environment (ACE)

Report to Congress

As of September 30, 2005

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Executive Summary

Background

In 2001, the U.S. Customs Service (now part of U.S. Customs and Border Protection (CBP)) embarked on the Automated Commercial Environment (ACE) as its first project in a multiyear modernization effort to reengineer its business processes and the information technology that supports them. The initial plan was to focus first on ACE and trade processing and then on other elements of CBP Modernization, including enforcement. The terrorist attacks on September 11, 2001, changed this focus. ACE is being developed to support the CBP mission of: (1) protecting the American public against terrorists and the instruments of terror and (2) enforcing the laws of the United States while fostering our Nation's economic security through lawful international trade and travel.

With the establishment of the Department of Homeland Security (DHS), CBP has also aligned ACE with the DHS mission and strategic goals. ACE will help reduce our Nation's vulnerability to threats without diminishing economic security by providing threat awareness, prevention, and protection for the homeland. Specifically, ACE will help:

- detect, deter, and mitigate terrorist and other threats;
- assess vulnerabilities to homeland security and the American public;
- safeguard U.S. citizens and critical infrastructure from acts of terrorism; and
- serve the public by effectively facilitating the movement of lawful trade.

Working closely with other government agencies and the trade community, CBP is modernizing to enhance interagency information sharing and analysis, replace and/or supplement existing systems taxed by increasing demands, and comply with legislation requiring greater agency efficiency and effectiveness to better serve the public. Among other capabilities, CBP personnel will have automated tools and better information to decide – before a shipment reaches U.S. borders – what cargo should be targeted because it poses a potential risk, and what cargo should be expedited because it complies with U.S. laws.

The Automated Commercial Environment Report to Congress consolidates CBP Congressional reporting requirements, which include House Report 108-541, page 28, accompanying H.R.4567, the Department of Homeland Security Appropriations Bill of 2005 and the Trade Act of 2002. These statutes require quarterly updates on how ACE development and establishment is being implemented cost effectively, and how ACE meets the modernization requirements of the 1993 Customs Modernization Act (the Mod Act) (Title VI of the North American Free Trade Agreement Implementation Act).

This report is provided to the Senate Finance Committee, House Ways and Means Committee, and both the House and Senate Appropriations Committees. The reporting period for this update is July 1, 2005, to September 30, 2005. As a key reporting mechanism for the CBP Modernization Governance and Accountability Framework, the report provides a status of progress against program commitments. The report includes a “snapshot” of current program status, highlighting recent accomplishments, challenges, cost and schedule status, and near-term milestones. The report also includes the status of efforts to resolve the Government Accountability Office (GAO) open audit recommendations, and an update on program cost and schedule. Overall, the report provides a status of progress against program commitments. As such, it is one of several key plans and reports that collectively comprise the governance and accountability framework for the Modernization Program.

Congress has stated that ACE and CBP Modernization should be integrated with, if not form the core of, DHS information systems and border security technology. Accordingly, this report also addresses the ongoing CBP efforts to support ACE expansion if required, and in engaging other Government agencies to participate in ACE/International Trade Data System (ITDS). Appendix A outlines ACE capabilities.

A review of previous reports may be helpful in understanding the full context of the information provided in this edition of the report.

Notable in This Report

ACE cargo processing capabilities are operational at 24 land border ports following deployment to Douglas, Naco, Sasabe, Lukeville, and Nogales, Arizona, as well as Pembina, North Dakota, and neighboring ports.

Total duties and fees collected via the September 22, 2005, Periodic Monthly Statement cycle totaled \$258.3 million, bringing to \$1.56 billion the total value of duties and fees collected since the introduction of the monthly statement capability in June 2004.

On July 1, 2005, the Office of Information and Technology (OIT) announced the second and final phase of its reorganization. A newly established Targeting and Analysis Systems Program Office (TASPO) will assume responsibility for developing Screening and Targeting (S&T) releases. A Cargo Systems Program Office (CSPO) was also established to develop the new cargo processing capabilities planned for ACE Releases 5, 6, and 7. As successors to the CBP Modernization Office, the CSPO and TASPO will assume principal responsibility for implementing the CBP Modernization Program.

Following the completion of a comprehensive review of future ACE releases, OIT has developed plans for delivering critical cargo security capabilities sooner than previously planned. In addition, S&T capabilities will be integrated with the Automated Targeting System (ATS), providing a comprehensive targeting solution. OIT expects ACE

development to be completed one half year sooner and for \$500 million less than the program baseline against which ACE is being managed.

1. Performance

This section highlights how ACE will help satisfy the requirements of the Mod Act, selected program accomplishments, and actions related to the open GAO recommendations.

1.1 Compliance with the Customs Modernization Act

The 1993 Mod Act was passed with legislation implementing the North American Free Trade Agreement. The Mod Act is the legal foundation for the CBP Modernization effort, and promotes the concepts of "informed compliance" and "shared responsibility." This requires CBP to provide accurate and timely information on CBP rules and responsibilities to the trade community. It also requires the trade community to use reasonable care in fulfilling their compliance obligations. To help accomplish these objectives, the Mod Act outlined requirements for automation and emphasized electronic trade processing. The delivery of ACE capabilities will fulfill the Mod Act by providing a secure Web-enabled environment. Appendix B shows how ACE releases are aligned with the Mod Act, and will fulfill its requirements upon the completion of ACE.

ACE is providing new capabilities to Government users and the trade community by enabling the redesign of trade compliance processes and strengthening S&T systems. These are key requirements for enhancing border security and expediting legitimate trade.

1.2 Selected ACE Accomplishments

The following are selected program accomplishments between July 1, 2005, and September 30, 2005:

- **Expanded cargo processing in ACE at the Southern and Northern Border.** e-Manifest: Trucks capabilities were deployed to Douglas, Naco, Sasabe, Lukeville, and Nogales, Arizona, as well as Pembina, North Dakota, and seven neighboring ports (including Neche, Walhalla, Maida, Hannah, Sarles, and Hansboro, North Dakota, and Noyes, Minnesota). ACE cargo processing capabilities are now operational at 24 land border ports.
- **Expanded monthly statement receipts.** Total duties and fees collected via Periodic Monthly Statement have continued to grow from \$180.8 million in July 2005 to \$232.2 million in August 2005. CBP collected \$258.3 million in duties and fees via the September monthly statement cycle, representing 10.88 percent of adjusted total duties and fees collected, and bringing to \$1.56 billion the total value of duties and fees collected since the inception of the monthly statement capability in June 2004.

- **Certified carriers for electronic manifest.** CBP has certified seven carriers and six service providers to transmit electronic manifest information via Electronic Data Interchange (EDI). Six companies are in the testing stage. Fifty-eight Letters of Intent to achieve EDI certification have been received.
- **Completed the Advance Trade Data Initiative (ATDI) Phase 2.** CBP completed the Phase 2 prototype for ATDI, providing insight into supply chain information that can be used for advance targeting purposes. The prototype included data from seven data providers and established linked views of transactions related to booking confirmations, bills of lading, ocean carrier status, purchase orders, advance shipment notices and stow plans. The data are being used to assess the value of linked data, and to identify anomalies that may signal an illegitimate shipment or potential terrorist threat.
- **Demonstrated Prototype S&T Capabilities.** CBP demonstrated the Data Integration Services Manager (DISM) and Metadata Knowledge Enterprise (MiKE) prototypes. DISM integrates and standardizes large quantities of disparate data, enabling targeting systems to automatically ingest data, and draw data from many more sources. MiKE is a knowledge management and visualization prototype that manages and infers relationships between entities. The MiKE and DISM prototypes will be enhanced and incorporated into the Targeting Foundation (S2) release.
- **Completed the Project Initiation and Authorization Review (PIRA) for rail and sea manifest capabilities.** On July 21, 2005, CBP successfully completed the PIRA for rail and sea manifest capabilities of e-Manifest: All Modes and Cargo Security (Release 6). Completion of this milestone indicates that management controls and funding are commensurate with the project's complexity, and that the project definition stage can begin.
- **Opened new ACE user support center.** In July 2005, CBP opened a new support center to provide comprehensive assistance with the use of the ACE Secure Data Portal, ranging from how to add views of account activity, to running account management reports. The ACE Help Desk continues to provide assistance to users with technical questions about the ACE Secure Data Portal.
- **Completed comprehensive assessment of future releases.** OIT assessed the development approach, cost, and schedule for future releases, including Account Revenue and Secure Trade Data (Release 5), which has been renamed Entry Summary, Accounts, and Revenue (ESAR); e-Manifest: All Modes, and Cargo Security (Release 6); Exports and Cargo Control (Release 7); and S&T releases. Based on this review, OIT expects to field critical cargo security capabilities sooner than previously planned, and complete overall ACE development sooner at reduced cost. Specific revised cost and schedule estimates are included in the revised ACE Program Plan.

Validated ESAR (Release 5) business processes. Following completion of 168 workshops with agency process owners, field advisory boards, trade community advisors, and Participating Government Agency (PGA) representatives, CSPO validated the envisioned ESAR (Release 5) business process design with key agency stakeholders and the trade community in August 2005. ESAR business processes are the foundation for building Release 5 to provide the right business capabilities to satisfy CBP and PGA requirements.

- **Met with key trade association representatives on ESAR.** Meetings with key trade association representatives were conducted on August 11, 2005, to discuss the suite of capabilities and benefits that ESAR will provide, and how this release will affect trade community information technology systems. Associations attending included the American Association of Exporters and Importers and the Joint Industry Group, among others. ESAR capabilities and benefits were well received by trade community participants.
- **Expanded ACE Ambassador Certification.** Twenty-two new ACE Ambassadors representing various job roles, field offices, and ports across the country were certified on September 13 – 14, 2005. These new Ambassadors will join the current Ambassadors in preparing the workforce for additional port deployments and the full implementation of the e-Manifest: Trucks capability, as well as the initial S&T release. This will bring the total number of Ambassadors to approximately 130.
- **Conducted Trade Support Network (TSN) Conference.** The TSN was held September 26 – 29, 2005, providing TSN committee members with an opportunity to meet and discuss ACE related issues, receive updates on ACE capabilities, and receive a status on ACE implementation dates.

1.3 Open GAO Recommendations

OIT is actively addressing the following open GAO recommendations:

1.3.1 Cost-Estimating

GAO Recommendation: Develop and implement a rigorous and analytically verifiable cost-estimating program that embodies the tenets of effective estimating as defined in the Software Engineering Institute's institutional and project-specific estimating models. Ensure that future expenditure plans are based on cost estimates that are reconciled with independent cost estimates.

OIT has established a disciplined cost-estimating process. This process includes a Life Cycle Cost Model (LCCM), which enables an independent government analysis and validation of primary cost and schedule estimates. The LCCM is also used to develop CBP Modernization Expenditure Plans. In its March 2005 report, the GAO reported that Modernization Program independent cost estimates either satisfied or partially satisfied all of the Software Engineering Institute's criteria for cost estimating. Additionally, the

GAO found that the Modernization Program had implemented its recommendation that the Fiscal Year (FY) 2005 Modernization Expenditure Plan be based on cost estimates that are reconciled with independent cost estimates. The GAO will revisit this recommendation as part of its review of each Modernization Expenditure Plan.

1.3.2 Human Capital Management (HCM)

GAO Recommendation: Immediately develop and implement a human capital management strategy that provides both near- and long-term solutions to the program office's human capital capacity limitations.

On July 1, 2005, OIT announced the second and final phase of its reorganization. The second phase established six program offices aligned to major mission areas, and three functional offices that provide services across mission areas. By emphasizing a program-centric management approach, the new organization will reinforce an integrated team environment and tighten relationships between OIT and its agency customers—most notably the Office of Field Operations (OFO). A TASPO has been established to provide targeting support for cargo, passenger, and port/border enforcement programs, primarily through the Automated Targeting System (ATS). Consistent with its mission area, TASPO will direct the development of ACE program S&T releases. A Cargo Management Program Office (CSPO) was also created to support operational cargo management systems, including the Automated Commercial System and ACE, as well as develop the new cargo processing capabilities planned for ACE Releases 5, 6, and 7. As successors to the CBP Modernization Office, the TASPO and CSPO will work closely together to direct the two main foci of CBP Modernization: S&T capabilities that will enable ACE to identify cargo that poses a potential risk, and ACE cargo processing capabilities, which will allow legitimate cargo and conveyances to be expedited.

Overall, the OIT reorganization will strengthen the Government's oversight of ACE by expanding the depth and breadth of functional and program management expertise. In addition, the number of OIT personnel involved in the Modernization effort has been substantially increased. The reorganization will enhance the focus on solution delivery and cost reduction as parallel development efforts are identified, redundancy is eliminated, and program management functions are consolidated. As such, the new organization will help OIT deliver ACE sooner, better, and at less cost.

The OIT human capital effort continues to be grounded in the established Human Capital Management Strategy and the 10 human capital principles emphasized by the GAO (January 2000 GAO report Human Capital: Key Principles from Nine Private Sector Organizations). The OIT is expanding on ACE program office successes by developing an enterprise-level Strategic Human Capital Management Plan.

1.3.3 Use of ACE Infrastructure for DHS

GAO Recommendation: Take appropriate steps to have future ACE expenditure plans specifically address proposals or plans to extend or use ACE infrastructure to support other homeland security applications.

To date, no expenditures have been planned for ACE to support other homeland security applications. However, through the ITDS, CBP continues to coordinate with other Federal agencies to explore areas where ACE can be expanded and integrated where it makes sense to do so, most prominently with the US-VISIT program. Joint ACE/US-VISIT planning activities include regular meetings between CBP Modernization Office staff and their US-VISIT counterparts to coordinate deployment schedules. Integration testing of ACE and US-VISIT is being conducted to ensure both applications will operate on the same workstations and a common network. Both programs are sharing program control best practices, including those in the areas of requirements management and Earned Value Management (EVM).

1.3.4 Measurement of Program Management Improvement Efforts

GAO Recommendation: Define measures, and collect and use associated metrics, for determining whether prior and future program management improvements are successful.

Initial efforts to respond to this recommendation focused on ensuring that the government could measure the progress of the e-Customs Partnership's (eCP's) implementation of the 2003 Performance Improvement Action Plan. Toward this end, the CBP Modernization Office increased its emphasis on EVM analysis at program level performance reviews, including the monthly Program Management Review. In addition, the CBP Modernization Office implemented a systematic program to continually improve the quality of data from its EVM System. Consistent with Office of Management and Budget directives, and the President's Management Agenda, the EVM system is used to predict potential future performance, plan for and implement corrective actions, and assess whether management changes have positively affected cost and schedule performance.

As ACE cargo processing capabilities are fielded at land border ports, OIT is also increasing its focus on measuring the extent to which ACE is meeting anticipated performance objectives. OIT is currently developing a baseline for operational performance parameters, and has set targets for ACE business outcomes, which are included in the Modernization Acquisition Program Baseline, as well as Appendix E of this report.

OIT is preparing a Modernization Measurement Plan that will represent a substantial revision to the existing Metrics Plan, which was approved in August 2001 and revised in February 2004. The Measurement Plan will provide a comprehensive description of how OIT will measure the Modernization Program and the work of contractors

contributing to modernization efforts. The Plan will consist of three key elements: measures, management approach, and enabling technologies. As such, the Measurement Plan will detail the following:

- the types of measures that will be applied to the Modernization Program;
- how current and future measures of system performance align with Department and Agency goals and objectives;
- how these measures will be managed and changed by the Measurements Integrated Process Team using the industry standard Practical Software and Systems Measurement model;
- what software tools that will be used, and how they will be used, to support the collection and analysis of data; and
- how measurement data will be used to guide overall management of the ACE program.

The Measurement Plan will be provided to the GAO upon its completion in fall 2005. Future editions of this report will describe progress in executing the Measurement Plan, and the impact of resulting measurements and analysis.

1.3.5 ACE Program Quarterly Reporting

GAO Recommendation: Report quarterly to the House and Senate Appropriations Committees on the efforts to address open GAO recommendations.

CBP has been providing quarterly reports on ACE since November 2002. As indicated in the executive summary, these reports are submitted in compliance with the current year Appropriations Act, the 2002 Trade Act (for the House and Senate authorizing committees), and to comply with the GAO reporting requirements indicated in this recommendation. Beginning with the March 2003 ACE Report to Congress, DHS directed that CBP route the quarterly reports through DHS. DHS then sends the report to the Office of Management and Budget for review and approval. The DHS Under Secretary, Management, is the official who transmits the report to Congress once all reviews are completed.

1.3.6 ACE Program Accountability Framework

GAO Recommendation: Define and implement an accountability framework that ensures future ACE releases deliver promised capabilities and benefits within budget and on time.

As indicated in its response to the March 2005 GAO report on ACE, CBP takes its “contract with Congress” and the program commitments reflected in ACE expenditure

plans seriously. CBP has two key objectives for the ACE Program: develop ACE capabilities sooner and at less cost, and ensure those capabilities hit the mark when fielded. To achieve both objectives, sound decision processes and clear quality standards have been established. OIT has followed its established processes to balance quality, cost, and schedule objectives. CBP is building on the existing program management foundation to address the following six expected outcomes the GAO detailed as part of this recommendation:

- Define and implement an ACE accountability framework that ensures coverage of all program commitment areas, including key expected or estimated system (1) capabilities, use, and quality; (2) benefits and mission value; (3) costs; and (4) milestones and schedules. CBP is developing an accountability framework that is combined with the program's governance framework, and which will serve as a nexus for existing program planning documents. Collectively, the Accountability Framework, the ACE Program Plan, the Modernization Expenditure Plan, and the documentation and discussion from the monthly Program Management Review will provide a comprehensive accountability framework across all program commitment areas.
- Ensure the currency and completeness of program commitments made to the Congress in Expenditure Plans. The FY06 Modernization Expenditure Plan is consistent with the ACE Program Plan. Additionally, CBP will review the Expenditure Plan throughout the approval process to ensure that it incorporates the most current program commitments upon delivery to the Department, Office of Management and Budget, the GAO, and the Congress.
- Establish reliable data to measure progress against commitments. Problem Trouble Report (PTR) tracking has been combined under the development team, which has greatly improved establishing, assessing, and reporting on data that assists in measuring the progress of ACE development. In addition, a Measurements Dashboard is being developed to organize performance measurement indicators that are captured in accordance with the aforementioned Measurement Plan. Using a web-based presentation tool, the dashboard will display and facilitate the dissemination of business performance measurements that provide insight into customer satisfaction, realization of desired business results, technology/stability of fielded ACE capabilities, and specific ACE release measures. When fully operational, the dashboard will assist ACE program leadership in quickly identifying program areas that require improvement or risk mitigation.
- Report in future expenditure plans progress against commitments contained in prior expenditure plans. CBP has added a section to the FY06 Expenditure Plan that ties back to and tracks milestone and other program commitments made in all prior expenditure plans.
- Ensure criteria for exiting key readiness milestones adequately considers indicators of system maturity, such as severity of open defects. The Systems Development

Lifecycle (SDLC) process has been moved under the Program Integration Division, and a single consolidated milestone gate review process is being instituted across all of OIT. In March 2005, exit criteria were defined and published on the OIT Process Asset Library for each milestone gate, including specific requirements to verify PTR measures and acceptable resolution plans, as required. The new integrated gate review process will refine and enhance these exit criteria, and provide results to senior managers as part of the decision considerations for approving transition to the next SDLC stage.

- Establish clear and unambiguous delineation of the respective roles and responsibilities of the Government and prime contractor: Responsibilities of the Government and the eCP will be delineated in the Governance and Accountability Framework document.

2. Cost and Schedule

2.1 Program Baseline

The Acquisition Program Baseline reflects a \$3.3 billion, 8.5-year program, with completion of ACE development in July 2010. Baseline schedule and cost estimates were validated through the Independent Government Cost Estimate. Based on a recent review of future ACE releases (discussed below), OIT anticipates that ACE development can be completed by January 2010, and development costs can be reduced by \$300 million. Projected development costs have also been revised downward by approximately \$200 million through the alignment of program inflation rate projections with those established in the Fiscal Year 2006 Homeland Security Plan. Based on the aforementioned cost savings and revised inflation projections, OIT anticipates that ACE will be completed at a cost of \$2.8 billion. Although CBP continues to manage to the Acquisition Program Baseline, the agency is focused on meeting the aforementioned new cost and schedule targets.

2.2 Cost, Schedule, and Fiscal Status

Concurrent with the reorganization described above, OIT conducted a comprehensive review of forthcoming ACE capabilities. This review sought ways to deliver ACE capabilities sooner, reduce costs, and ensure ACE is aligned with the antiterrorism mission of the agency and the department. In particular, the review focused on discerning the existing systems that work well from those that must be modernized to meet mission requirements. Based on this review, OIT determined that more existing ACE capabilities (including the e-Manifest: Trucks design and release processing) and other operational systems, can be leveraged in the development of forthcoming ACE capabilities. OIT also determined that ESAR (Release 5) and e-Manifest: All Modes and Cargo Security (Release 6) capabilities can be developed concurrently, and that new capabilities can be deployed incrementally as development is completed. This approach will allow critical cargo security capabilities, such as electronic manifest for remaining transportation modes, to be delivered sooner than previously planned.

CSPO has appointed an integration director to manage the increase in concurrent development activities. Appendix C provides the current schedule outlook for major development milestones.

A key outcome of the aforementioned review is the integration of ACE S&T efforts with ATS. Through this integration, ATS will be modernized and augmented with new S&T capabilities. This approach will provide a comprehensive targeting solution based on a modular, Service Oriented Architecture that can be easily leveraged across the department. Modernizing ATS will deliver all previously planned ACE S&T capabilities while also allowing greater flexibility to more rapidly incorporate emerging technologies in the future. In the short term, the Screening Foundation (S1) Production Readiness Review (PRR) and Operational Readiness Review (ORR), have been rescheduled for December 22, 2005, and February 9, 2006, respectively. This schedule change is based on the constraints of coordinating the S1 delivery with the delivery of ACE Secure Data Portal enhancements needed by Officers in the Detroit, Michigan, area, and the time required to effect the transition to the new S&T development approach described above. S&T development work will continue during a short-term transition period on a level of effort basis. During this time, TASPO will establish revised performance benchmarks in preparation for a resumption of performance based contracting and EVM by January 2006. The new S&T development approach is expected to yield long-term benefits. It will reduce the interdependencies between S&T development activities and development of ACE cargo processing capabilities (which affected the S1 PRR/ORR schedule), thereby providing greater flexibility to field interim enhancements to ACE cargo releases. Significant cost savings are also expected, and the completion of S&T development is anticipated to be completed nearly 1 year earlier than previously planned.

The CSPO continues to expand the use of existing ACE capabilities. With the deployment of ACE truck processing capabilities to Douglas, Arizona, and Pembina, North Dakota, and surrounding ports, CBP Officers are now using ACE to process cargo at 24 Northern and Southern Border ports. Receipts of duties and fees through monthly statements continue to grow. The agency collected \$258.3 million, or 10.88 percent of adjusted total duties and fees, through the September 22 statement cycle, bringing to \$1.56 billion the total value of duties and fees collected since the introduction of the Periodic Monthly Statement capability in June 2004. The ACE Secure Data Portal has been modified to provide PGAs read-only access to ACE data, consistent with the ITDS vision of creating a single window for trade and transportation data. PGA users will soon be able to view and run over 30 existing reports that draw from cargo entry and entry summary data. National Targeting Center analysts continue to use the Targeting Framework (TF) prototype to automate many of the tasks required to identify and track potential terrorist activities. On average, the TF reduces the time to create and save a Request for Information (RFI) to 5 minutes from 30 minutes, and the time required to process and research an RFI to 30 minutes from 56 minutes, allowing 10 analysts in an 8 hour shift to increase the number of RFIs processed from 160 to 960. By automating key tasks, the TF is enabling analysts to increase the time spent on deeper analysis.

Notwithstanding this progress, CBP faces the challenge of increasing the trade community's use of the ACE e-manifest capability. To address this challenge, CSPO is making programming modifications to the ACE Secure Data Portal to simplify its use for carriers, and reduce the time required to achieve EDI certification. OIT is hiring additional Client Representatives to augment the staff for getting carriers "on board," and multiple trade outreach sessions are being planned to encourage submission of e-manifest information via EDI. The agency is also preparing to allow carriers to submit electronic manifests through a service provider with an ACE Secure Data Portal account.

CBP is also working diligently to significantly increase use of monthly statements. Toward this end, CBP plans to allow importers to use the monthly statement capability via a broker with an ACE portal account. The agency has eliminated the requirement for a bond rider when using the monthly statement capability. Finally, the agency is contacting the Chief Financial Officers of selected top duty-paying importers to communicate the benefits of Periodic Monthly Statement.

The FY 2006 Modernization Expenditure Plan is consistent with the FY 2006 budget. As of the date of this report, the Department of Homeland Security is completing its review, and DHS is expected to transmit the plan to Congress by the end of 2005. The plan requests \$305.5 million for ACE and \$16.2 million for ITDS. Among the key elements are:

- detailed design and development of cargo management and S&T capabilities;
- continued deployment of ACE truck processing capabilities at land border ports; and
- design and development of PGA requirements for ACE/ITDS.

Figure 1 provides a summary of ACE funding. To date, Congress has appropriated and released \$1.39 billion for ACE/ITDS. Of the \$1.39 billion, \$1.24 billion has been obligated, and \$1.05 billion has been expended (89 percent and 76 percent of released funding, respectively) as of August 31, 2005.

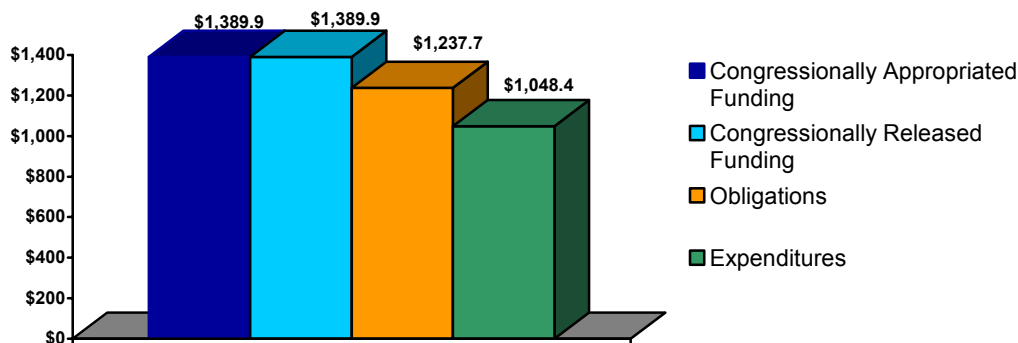


Fig. 1: ACE and ITDS Funding Status as of August 31, 2005

3. Near-Term Milestones

The following are key near-term milestones scheduled between October 1, 2005, and December 31, 2005.

October 2005

- CBP projects that electronic truck manifest capabilities will be deployed at ports in the Detroit, Michigan, area, including Windsor Tunnel, Barge Transport, Ambassador Bridge, Port Huron, Marine City, Algonac, and Sault St. Marie.
- Read-only access to ACE data will be established for PGAs, enabling them to use trade and transportation data collected via ACE.
- OIT will conduct the Project Definition Completion Review (PDCR) for Release 6 e-Manifest: Rail and Sea capabilities. Completion of the PDCR will ensure that user and functional requirements are defined, major project risks and issues have been addressed, and all deliverables required to begin system design and development are complete.

October – November 2005

- CBP will introduce additional ACE Secure Data Portal enhancements that will support compliance with the Food and Drug Administration Bio-Terrorism Act; enable service providers to submit e-manifests on behalf of carriers; allow EDI transmissions to contain multiple manifests, and provide In-Bond export capability.

October – December 2005

- Planning will intensify for the transfer of ACE development environments to an integrated departmental data center.

November 2005

- Expansion of electronic truck manifest capabilities will continue to ports near and including Highgate Springs, Richford, Derby Line, and Norton, Vermont.
- The Preliminary Design Review will be held for ESAR Master Data and Enhanced Accounts, and Entry Summary and Revenue capabilities. Completion of this milestone will indicate that based on an Enterprise Architecture Certification review the architecture for these capabilities is sufficient to guide detailed design work.

December 2005

- The Production Readiness Review for Screening Foundation (S1) will be completed, marking the beginning of the pilot and evaluation period.

4. Conclusion

The successful deployment of ACE cargo processing capabilities at 24 land border ports and the receipt of more than \$1 billion in duties and fees since the inception of the monthly statement demonstrate the increasing operational maturity of ACE capabilities. ACE capabilities at the border will grow through the continued deployment of e-Manifest: Trucks to land border ports, and the pilot of the Screening Foundation (S1). ACE is beginning to deliver on its promise of securing America's borders while helping to expedite the vast majority of low-risk trade.

Notwithstanding these accomplishments, ACE is an increasingly complex and challenging endeavor. Deployment of existing capabilities must be coordinated with the interim functional enhancements required of any operational system, as well as the development of new ESAR and multi-modal manifest capabilities. CBP must ensure that capabilities in the field are delivering desired business results. Trade community use of e-Manifest capabilities and monthly statements must be further increased to establish ACE as the de facto interface for transacting business with CBP. Finally, the growing use of ACE means that operational policies and procedures must be assessed — and in some cases, fine-tuned — to maximize the potential of ACE for CBP Officers and the trade community.

An enhanced organizational structure and development approach will aid the agency's efforts to address these challenges. The completion of the OIT reorganization has expanded government oversight of ACE, and strengthened OIT relationships with OFO counterparts. As such, the reorganization will help address operational and policy issues that derive from widespread ACE deployment, thereby ensuring the effectiveness of ACE for agency and trade community users. The completion of the comprehensive review of ACE releases will enhance development efficiency, reduce costs, and deploy more capabilities at the border sooner than previously planned. While implementing these enhancements, OIT remains focused on honoring program commitments, applying lessons learned, and ensuring ACE is successful in better detecting threats to the United States, and ensuring the vitality of our Nation's economy.

For More Information:

Additional information on ACE may be found on the CBP Web site (www.cbp.gov) under the *Modernization and ACE* link.

The first five reports to Congress on ACE may be found on the CBP Web site at http://www.cbp.gov/xp/cgov/toolbox/about/modernization/newsletters/quarterly_reports/

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Appendix A. ACE Implementation and Capabilities

ACE will deliver increased border security and enable improved trade compliance. It will also increase efficiency and improve customer service for key stakeholders, which include importers, brokers, carriers, and other Government agencies.

In June 2003, ACE Account Creation was launched, with 41 initial importer accounts given access to the ACE Secure Data Portal. Account Creation provides initial on-line account capabilities to CBP and the trade community.

Periodic Payment was launched in June 2004, and an ORR was successfully conducted in August 2004. It allows importers and brokers with ACE accounts to centralize payment processing and to utilize periodic monthly statement and payment capabilities through Automated Clearinghouse Credit and Debit. This release also provides an initial customer account-based subsidiary ledger interface with the CBP general ledger for financial transaction processing, and will provide an expanded account view into account activity logs and exam findings.

Periodic Payment expanded the account management framework to a larger trade audience, including brokers, carriers, and CBP representatives overseeing those areas. The Account Profiles for importers, brokers, and carriers will support some information relevant to the Customs-Trade Partnership Against Terrorism (C-TPAT). A Significant Activities Log provides a record of communications between the account and CBP (and ultimately with PGAs).

e-Manifest: Trucks capabilities, including automated truck manifest, expedited information processing, and a primary inspector interface (consolidating seven separate cargo release systems), were piloted in Blaine, Washington, in December 2004. Following completion of the pilot, e-Manifest: Trucks capabilities have been deployed to selected Northern and Southern Border ports near select hub cities. The following is an outline of the features in future ACE releases.

ACE Secure Cargo Management Capabilities

Entry Summary, Accounts, and Revenue (Release 5)

- Master Data and Enhanced Accounts
 - Import account types, including broker, carrier, Container Examination Station, Container Freight Station, driver, Foreign Trade Zone, operator, importer, surety, etc.
 - Program participation automation for C-TPAT Administrative messaging
 - Master and reference data in ACE
- Entry Summary and Revenue
 - Entry summary and team review
 - Post-release processing

- Quota
- Initial protest
- Reconciliation
- Bond sufficiency
- Finance processing
- Revenue and refund processing
- Billing and payment processing (including cash, Electronic Funds Transfer, and lockbox)
- Maintain CBP and non-CBP licenses, permits, and certificates
- Program participation automation for Managed Accounts and Container Security Initiative

E-Manifest: All Modes & Cargo Security (Release 6)

- e-Manifest: Rail and Sea
 - Manifest receiving and correlation for sea/rail and conversion to multi-modal format
 - Initial Multi-Modal Manifest reporting
 - Rail and sea e-Release
 - Monitor authorized movements
 - Tracer for sea and rail
 - Freedom of Information Act processing
- e-Manifest: Air
 - Manifest receiving and correlation for air and conversion to multi-modal format
 - Air e-Release
 - Manifest, e-Release, and tracking for air courier
 - Tracer for air
- e-Manifest: Enhanced Tracking
 - Entry and release processing in ACE
 - Cargo, conveyances, individuals, and equipment tracking
 - Inter-modal manifest processing
 - Accept all major entry types
 - Tracer for all entry types

Exports & Cargo Control (Release 7)

- Drawback, Protest, and Importer Activity Summary Statement (IASS)
 - Drawback
 - Enhanced protest
 - IASS
 - United States Principal Party of Interest Accounts
- Final Exports and Manifest
 - Manifest, e-Release, enforcement, and tracking for mail, hand-carry, and pipeline

- Export processing
- Tracer for exports, drawback, IASS

ACE S&T Capabilities

Screening Foundation (S1)

- Business rules engine to enhance screening capabilities
- Initial release screening functionality using manifest and entry for air, rail, sea, and truck
- Initial criteria management and criteria impact assessment

Targeting Foundation (S2)

- Extended criteria management and execution for entry summary related screening
- Initial targeting analysis foundation and criteria impact assessment
- Access to targeting analysis tools (i.e., Targeting Framework)
- Integration of commercial data sources
























Advanced Targeting Capabilities (S3)

- Extended targeting functionality
- Extended screening capability to include additional areas (e.g. drawback, export)
- Enhanced criteria management and criteria impact assessment
- Enforcement for entry summary

Full Screening and Targeting (S4)

- Provide full functionality for all modes of transportation and all transactions
- Full targeting analysis platform
- Complete S&T capability for all PGAs

Appendix B. Alignment of ACE Releases with the Modernization Act, Subtitle B Automation Requirements

Modernization Act National Customs Automation Program HR 3450, Subtitle B, Sec. 631	Percentage of Functionality Completed									
	ACE Releases									
	ACE Foundation and Account Creation (Releases 1 and 2)	Periodic Payment (Release 3)	e-Manifest: Trucks (Release 4)	Screening Foundation (Screening S1)	Targeting Foundation (Screening S2)	Entry Summary, Accounts and Revenue (A1, A2 - Release 5)	Advanced Targeting (Screening S3)	Full Screening and Targeting (Screening S4)	e-Manifest: All Modes and Cargo Security (M1, M2, M3- Release 6)	Exports and Cargo Control (A3, M4 - Release 7)
Electronic entry of merchandise Sec. 411(a)(1)(A)										
Electronic entry summary of required information Sec. 411(a)(1)(B)										
Electronic transmission of invoice information Sec. 411(a)(1)(C)										
Electronic transmission of manifest information Sec. 411(a)(1)(D)										
Electronic payment of duties, fees, and taxes Sec. 411(a)(1)(E)										
Electronic status of liquidation and reliquidation Sec. 411(a)(1)(F)										
Electronic selection of high risk entries for examination:										
(1) cargo Screening and										
(2) entry summary screening Sec. 411(a)(1)(G)										
Electronic filing and status of protests Sec. 411(a)(2)(A)										
Electronic filing (including remote filing under section 414) of entry information with the Customs Service Sec. 411(a)(2)(B)										

Appendix C. Schedule Outlook

The following table compares ACE Program Plan Version 11.2 Development Milestones (program baseline) with current projections.

Release Name	Key Milestone	ACE Program Plan Version 11 (Baseline)	Current Outlook
ESAR (Release 5)			
• Master Data and Enhanced Accounts	PRR ORR	07/17/06 12/19/06	10/2/06 12/29/06
• Entry Summary and Revenue	PRR ORR	07/17/06 12/19/06	7/2/07 10/1/07
e-Manifest: All Modes and Cargo Security (Release 6)			
• e-Manifest: Rail and Sea	PRR ORR	11/03/08 04/06/09	10/2/06 12/29/06
• e-Manifest: Air	PRR ORR	11/03/08 04/06/09	7/2/07 10/1/07
• e-Manifest: Enhanced Tracking	PRR ORR	11/03/08 04/06/09	3/2/09 6/1/09
Exports and Cargo Control (Release 7)	PRR ORR	2/15/10 7/16/10	9/30/09 12/31/09
Screening Foundation (S1)	PRR ORR	08/18/05 11/10/05	12/22/05 02/09/06
Targeting Foundation (S2)	PRR ORR	04/27/06 07/20/06	7/27/06 9/28/06
Advanced Targeting (S3)	PRR ORR	11/29/06 02/28/07	12/14/06 2/22/07
Full S&T (S4)	PRR ORR	07/21/09 10/13/09	8/23/07 12/6/07

Appendix D. Desired Business Results

CBP executives defined Desired Business Results (DBRs) that will contribute to achievement of CBP strategic objectives and the benefits outlined in the ACE Cost Benefit Analysis. These DBRs reflect current CBP and DHS priorities. The table below depicts these DBRs and the alignment of the ACE releases.

Release Functionality ↓ ACE Desired Business Results	Account Creation Release 2	Periodic Payment Release 3	e-Manifest: Trucks Release 4	Entry Summary, Accounts, & Revenue Release 5	e- Manifest: All Modes & Cargo Security Release 6	Exports & Cargo Control Release 7	Selectivity & Targeting Selectivity S1-S4
1. Improve accuracy and timeliness of information to support threat assessment decisions	✓		✓	✓	✓	✓	✓
2. Improve detection of trafficking in prohibited and restricted goods	✓		✓	✓	✓	✓	✓
3. Detect and remedy unfair trade practices and illegal activities	✓		✓	✓	✓	✓	✓
4. Enable modern commercial business practices of the trade community	✓	✓	✓	✓	✓	✓	
5. Safeguard the revenue of the government	✓	✓		✓	✓	✓	
6. Integrate PGA participation for for executing regulatory requirements	✓	✓	✓	✓	✓	✓	✓
7. Enable increased compliance rates through the use of efficient and effective informed and enforced compliance processes	✓	✓	✓	✓	✓	✓	
8. Enable and accounts-based approach	✓	✓		✓		✓	
9. Improve responsiveness and adaptability to policy, statutory, and regulatory changes, and trade volume increases	✓		✓	✓	✓	✓	
10. Provide a single interface to the trade community	✓	✓		✓		✓	
11. Improve workload management	✓	✓	✓	✓	✓	✓	✓

Appendix E. ACE Performance Measures

While DBRs provide the ACE program with a framework for making business and technical architecture decisions with respect to overall value considerations, specific performance goals and measures ultimately support the CBP Automation Modernization budget. Examples of ACE efficiency, workload, and deployment measures are provided in the table below. Further detailed information can be found in the *ACE DBR, DBR Objectives and Performance Measures, v16.0*.

Measure		FY05	FY06	FY07	FY08	FY09	FY10	FY11
Account Creation (Release 2)								
Percent of internal CBP population using ACE functionality to manage trade information	Plan Actual	11%	18%	26%	26%	63%	100%	100%
Percent of trade accounts with access to ACE functionality to manage trade information	Plan Actual	2%	6%	11%	13%	16%	47%	100%
Periodic Payment (Release 3)								
Percent of total duties and fees paid through Periodic Monthly Statements	Plan Actual	20%	30%	40%	50%	60%	70%	80%
e-Manifest: Trucks (Release 4)								
Percent reduction of CBP truck processing time (measured from the baseline established at each Port of Entry)	Plan Actual	6%	18%	25%	25%	25%	25%	25%
Percent of truck manifests that are filed electronically at each Port of Entry	Plan Actual	5%	20%	65%	100%	100%	100%	100%
Entry Summary, Accounts, and Revenue (Release 5)								
Percent reduction in manual entry summary processes	Plan Actual			85%	85%	85%	85%	85%
Percent of electronic monthly Automated Broker Interface (ABI) statements	Plan Actual			0%	10%	25%	50%	75%
e-Manifest: All Modes and Cargo Security (Release 6)								
Percent increase of information shared across all modes of transportation to be used to enhance national security	Plan Actual				5%	10%	20%	30%
Percent of cargo being reported to CBP by the custodial carrier on behalf of the carrier that initiated the cargo movement	Plan Actual				5%	10%	20%	25%
Exports and Cargo Control (Release 7)								
Performance measures for Release 7 will be developed as part of the requirements development process scheduled to begin in FY08	Plan Actual							
Screening Foundation (Release S1)								
Total number of linked electronic sources from CBP and other government agencies for targeting information	Plan Actual	0	4	9	9	9	23	23
Number of manifests where CBP officers forecasted workload levels through impact assessments within 15 minutes	Plan Actual		100,000	100,000	100,000	100,000	100,000	100,000
Targeting Foundation (Release S2)								
Percent reduction of person of interest passenger information responses taking more than 15 minutes	Plan Actual		70%	75%	75%	75%	75%	75%
Number of CBP targeting platform portal accounts	Plan Actual		2,000	5,000	10,000	10,000	10,000	10,000
Advanced Targeting (Release S3)								
Number of Government agencies with access to S&T systems	Plan Actual		1	6	10	12	12	12
Number of external (non-CBP) data sources integrated into the Targeting Platform	Plan Actual		4	6	8	10	10	10
Full Screening and Targeting (Release S4)								
Performance measures for Release S4 will be developed as part of the requirements development process scheduled to begin in FY07	Plan Actual							

Appendix F. Acronyms and Selected Definitions

ACE	Automated Commercial Environment. The first major project of U.S. Customs and Border Protection Modernization. Through enhanced business processes and the new technology in ACE that will support them, border security and trade facilitation will be greatly enhanced.
ACH	Automated Clearinghouse
APB	Acquisition Program Baseline
ATS	Automated Targeting System
CBP	U.S. Customs and Border Protection
CSPO	Cargo Systems Program Office. The program office responsible for ACE cargo management capabilities and other cargo processing systems.
DISM	Data Integration Services Manager
DHS	Department of Homeland Security
EA	Enterprise Architecture
e-CP	e-Customs Partnership
ESAR	Entry Summary, Accounts, and Review
FAS	Freight Assessment System
FAST	Free and Secure Trade
FMCSA	Federal Motor Carrier Safety Administration
FY	Fiscal Year
GAO	Government Accountability Office
HC	Human Capital
HCM	Human Capital Management
ITDS	International Trade Data System
LCCE	Life-Cycle Cost Estimate
LCCM	Life-Cycle Cost Model
MiKE	Metadata Knowledge Enterprise
OIT	Office of Information and Technology
ORR	Operational Readiness Review
PGA	Participating Government Agency
PRR	Production Readiness Review

PTR	Program Table Report
S&T	Screening and Targeting
TASPO	Targeting and Analysis Systems Program Office. The program office responsible for Screening and Targeting systems, including ATS and ACE S&T development efforts.
TF	Targeting Framework